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Part of General Dynamics Losing Security Clearance, Memos Show

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SAN DIEGO, Feb. 1 — The division of General Dynamics that makes cruise missiles is losing its Government security clearance because it did not adequately protect classified documents and hardware, according to two company memorandums.

The Government's withdrawal of the security clearance at the vast Convair Division, which employs 9,400 people in several San Diego plants, is another setback for a giant military contractor that has been plagued by security problems and allegations of fraud. It also raises questions about security in one of the nation's most secret military projects.

Current Contracts Unaffected

The memorandums, distributed to managers Friday and made available early today by a Convair employee, say the lack of security clearance means that no new contracts can be awarded to Convair and that requests for individual security clearances will not be processed.

The company would apparently continue work on existing Government contracts to produce cruise missiles. The author of the principal memorandum confirmed its authenticity.

Cruise missiles are medium-range weapons that are designed to hug the ground as they fly, making them less vulnerable to radar and measures by foreign powers. Convair is also the prime contractor for an advanced cruise missile, an extremely secret effort to build Stealth cruise missiles that would be almost invisible on a radar screen.

The impact on the General Dynamics Corporation is unclear, partly because all company divisions have been suspended since Dec. 3 from receiving new Government contracts, because of the indictment of four former or current company executives on fraud charges. But there have been reports that the suspension affecting the entire company will be lifted soon.

The principal memorandum, written by John E. McSweeney, general manager of Convair, said the Defense Department rated security procedures "unsatisfactory" because of missing classified documents, lackluster ef-

forts to find them, failure to report missing documents, and failure to control classified hardware.

"This situation is very serious and compounds the problem we already have as a result of the suspension," Mr. McSweeney said in the memorandum. It said the Defense Department would formally announce the action against Convair within a week.

In a telephone interview, Mr. McSweeney confirmed the authenticity of the memorandum and said the security problems related to about 20 documents that could not be found. He said that he did not know exactly what the documents were about but that they covered various aspects of Convair's work. He said he hoped that swift action would remedy the problems and restore security clearance quickly, within a week.

"My intent is to take immediate action and by this time next week to have an even tighter system than we have today," Mr. McSweeney said. "We don't have a leaky sieve, but in security you can't afford any risks."

A corporate team is being formed to correct the problems and employees have been asked to search their desks and files for documents, his memorandum said. The team will begin taking an inventory of all classified documents at 8 A.M. Monday, according to the second memorandum, from a mid-level manager.

The Defense Department agency that inspects facilities, the Defense Investigative Service, did not answer telephone calls today. A Defense Department spokesman in Washington, Lieut. Col. William Birdseye, said that he did not know of the action and that no one would be available to comment on it until Monday.

Stiff Contract Competition

Joseph F. Campbell, who analyzes military contractors for Paine Webber in New York, said the impact on General Dynamics would depend mostly on how long the Convair division was denied its security clearance and on what contracts might come up in the meantime. Although General Dynam-

ics' Convair Division is the leading producer of cruise missiles, it faces stiff competition from the McDonnell Douglas Corporation.

Last fall Thomas J. O'Brien, director of the Defense Investigative Service, told a Congressional committee that an "unsatisfactory" rating on security is assigned "when conditions exist that a facility has lost or is in imminent danger of losing its ability to adequately safeguard classified information."

Security Lax, Workers Say

Half a dozen workers interviewed early this morning outside a Convair facility all said security was far too lax. They said, for example, that it would be fairly easy for a stranger to get inside a Convair plant.

The action against Convair is the latest in a series of Government charges that the military contractor has not adequately guarded sensitive information. In October 1984 Convair's security procedures were criticized by the Pentagon. Last year a special survey of all 50 General Dynamics sites for classified Government work found that only 10 locations had no deficiencies. Twenty-eight had minor problems, 10 had major deficiencies, and one, in Rockaway, N.J., was rated unsatisfactory.

In addition, the Defense Department has begun proceedings to take away the security clearance of Lester Crown, General Dynamics' largest shareholder, because he was an indicted co-conspirator in a 1972 Illinois bribery scandal.